ANNUAL REPORT

CONTAINER CORPORATION OF AMERICA

CHICAGO, ILLINOIS

1942

FISCAL YEAR ENDED DECEMBER THIRTY-FIRST

ANNUAL REPORT

FEBRUARY 25, 1943

CONTAINER CORPORATION OF AMERICA

MILLS	Carthage, Indiana Chicago, Illinois Cincinnati, Ohio (leased) Circleville, Ohio Fernandina, Florida Philadelphia, Pennsylvania Wabash, Indiana Wilmington, Delaware (leased)
FACTORIES	Anderson, Indiana Baltimore, Maryland (leased) Chicago, Illinois Cleveland, Ohio (leased) Cincinnati, Ohio Fort Worth, Texas (leased) Natick, Massachusetts Philadelphia, Pennsylvania Rock Island, Illinois (leased)
BRANCH AND SALES OFFICES	Akron, Ohio Anderson, Indiana Baltimore, Maryland Chicago, Illinois Cincinnati, Ohio Cleveland, Ohio Dallas, Texas Detroit, Michigan Fort Worth, Texas Indianapolis, Indiana Minneapolis, Minnesota Natick, Massachusetts New York, New York Peoria, Illinois Philadelphia, Pennsylvania Rochester, New York Rock Island, Illinois St. Louis, Missouri Wabash, Indiana Washington, D. C.
OPERATING SUBSIDIARY	Pioneer Paper Stock Company Plants (all leased) located at Chicago, Ill., Detroit, Mich., Kalamazoo, Mich., Philadelphia, Pa.
AFFILIATED COMPANY	Sefton Fibre Can Company, St. Louis, Mo.

DIRECTORS	William R. Basset, New York, New York J. J. Brossard, Washington, D. C. Henry B. Clark, San Diego, California Wesley M. Dixon, Chicago, Illinois John L. Dole, Chicago, Illinois George deB. Greene, New York, New York William P. Jeffery, New York, New York Walter P. Paepcke, Chicago, Illinois J. V. Spachner, Chicago, Illinois
EXECUTIVE COMMITTEE	William R. Basset William P. Jeffery Walter P. Paepcke
OFFICERS	President, Walter P. Paepcke Vice President, J. J. Brossard Vice President, Wesley M. Dixon Vice President, Ira C. Keller Vice President, J. V. Spachner Treasurer—Comptroller, H. C. Baumgartner Secretary, E. A. Wagonseller Assistant Treasurer, Christ Madsen Assistant Treasurer, Arthur Papke Assistant Secretary, L. A. Combs Assistant Secretary, H. J. Greven Assistant Comptroller, Edward J. Stout Assistant Comptroller, C. M. Blumenschein
TRANSFER AGENTS	Container Corporation of America, Chicago, Illinois City Bank Farmers Trust Company, New York, New York
REGISTRARS	Continental Illinois National Bank and Trust Company, Chicago, Illinois The New York Trust Company, New York, New York

HONOR ROLL

1942

COMPANY EMPLOYEES IN THE SERVICES

UNITED STATES ARMY	**694**
UNITED STATES NAVY	**153**
UNITED STATES MARINE CORPS	**30**
UNITED STATES AIR FORCES	**82**
UNITED STATES COAST GUARD	**35**
WAACS AND WAVES	**2**
	996

CONTAINER CORPORATION OF AMERICA

CHICAGO, ILLINOIS, FEBRUARY 25, 1943

TO THE STOCKHOLDERS OF CONTAINER CORPORATION OF AMERICA

We submit herewith the Annual Report of Container Corporation of America for the year ended December 31, 1942, including the Auditors' Certificate, a Consolidated Balance Sheet, and Summaries of Consolidated Profit and Loss and Surplus Accounts. In compliance with new Security and Exchange Commission proxy rules, advice is hereby given that proxies for the annual stockholders meeting will be requested within a few days. It is expected that the proxy statement will be mailed to stockholders on March 1, 1943.

FINANCIAL REVIEW

PROFIT AND LOSS. The consolidated net profit for 1942 was $2,401,748 compared with $2,327,177 for 1941. In each case, earnings are net after administrative charges, interest, and provisions for depreciation, bad and doubtful accounts, local and Federal taxes, including excess profits taxes. The return on the average invested capital (capital stock and surplus) was 11%. These earnings are equivalent to $3.07 a share on each of the 781,253 outstanding shares of capital stock.
Quarterly earnings per share were:

1st Quarter	$ .90
2nd Quarter	.67
3rd Quarter	.65
4th Quarter	.85*
	$3.07

*After adding year end adjustments representing $.16 per share.

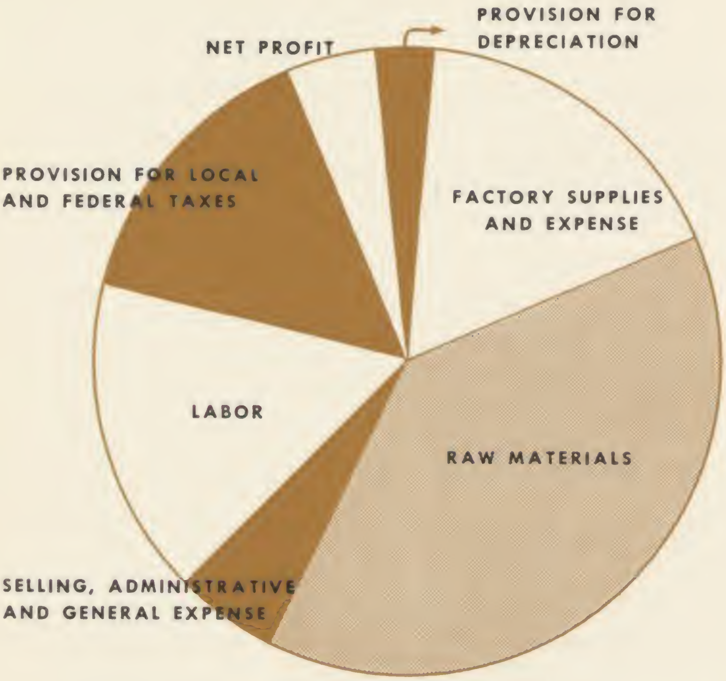
A comparative summary of operating results for the last three years follows:

	1942	1941	1940
Net sales	$49,533,239	$46,714,221	$30,464,677
Cost of sales (exclusive of depreciation)	36,668,926	35,548,267	23,339,894
Gross profit (exclusive of depreciation)	$12,864,313	$11,165,954	$ 7,124,783
Provision for depreciation (includes depletion of $27,176 for 1942, $12,099 for 1941 and $11,138 for 1940)	1,411,499	1,307,975	1,241,246
Gross profit from operations	$11,452,814	$ 9,857,979	$ 5,883,537
Selling, administrative and general expenses (exclusive of bad debts)	3,016,086	2,953,587	2,361,345
Net profit from operations (exclusive of bad debts)	$ 8,436,728	$ 6,904,392	$ 3,522,192
Other charges:			
Provision for bad debts, less recoveries	$ —	$ 45,596	$ 4,912
Loss on capital assets retired or reduced to estimated realizable values	*3,102*	235,921	42,706
	$ 3,102	$ 281,517	$ 47,618
	$ 8,439,830	$ 6,622,875	$ 3,474,574
Other income:			
Purchase discounts, interest earned, etc.	178,550	211,838	160,648
Net profit before interest and Federal income taxes	$ 8,618,380	$ 6,834,713	$ 3,635,222
Interest charges, etc.:			
Interest on first mortgage bonds (retired in 1940)	$ —	$ —	$ 69,410
Interest on debentures (retired in 1940)	—	—	57,512
Interest on term bank loans	34,136	90,140	66,552
Amortization of debt discount and expense	—	—	15,542
Other interest, etc.	2,496	2,396	11,524
	$ 36,632	$ 92,536	$ 220,540
Net profit before Federal income taxes	$ 8,581,748	$ 6,742,177	$ 3,414,682
Provision for Federal income taxes:			
Normal taxes	$ 733,000	$ 1,187,000	$ 773,000
Excess profits taxes	5,447,000*	3,228,000	414,000
	$ 6,180,000	$ 4,415,000	$ 1,187,000
Net profit carried to earned surplus	$ 2,401,748	$ 2,327,177	$ 2,227,682

*Net after deduction of $601,000 post-war refund.
Note—Italics denote red figures.

Depreciation charged against operations was $1,384,323. This was the gross amount added to the depreciation reserve account. Deducted from this account was $67,813 of accumulated depreciation on those assets which were sold or retired during the year. Therefore, the difference between $1,384,323 and $67,813, or $1,316,510 was the net increase in the reserve for depreciation. The same rates of depreciation were used as in the previous year.

Profit on capital assets sold or retired during the year amounted to $3,102 and was credited to the year's profit and loss account. Expenditures of $2,473,340 for the repair and maintenance of buildings, machinery and equipment were deducted from earn-



ings. Due to the pressure of large war and civilian demands, your Company's factories and mills have been operating in many cases night and day and seven days a week. A continuously high operating rate always results in additional repair and maintenance. Also the higher costs of labor and repair materials increased the normal cost of maintenance work.

The diagram at the left and the table below indicate the relative proportion of net sales accounted for by raw materials, labor, factory supplies and expense, depreciation, taxes, selling, administrative and general expense, and net profit.

	1942		1941	
Net sales	$49,533,239	100.00%	$46,714,221	100.00%
Raw materials	$19,517,825	39.40%	$19,811,142	42.41%
Factory supplies and expense	8,378,892	16.92	7,912,638	16.94
Labor	8,213,519	16.58	7,228,791	15.48
*Selling, administrative and general expense	2,655,772	5.36	2,916,477	6.24
Provision for depreciation (includes depletion of $27,176 for 1942 and $12,099 for 1941)	1,411,499	2.85	1,307,975	2.80
Provision for local and Federal taxes	6,953,984	14.04	5,210,021	11.15
Net profit	2,401,748	4.85	2,327,177	4.98

*Includes other income and charges.

Solid fibre drum made to hold 25 pounds of hard grease. The board has been especially treated to carry this type of material, which before the war was shipped in metal containers.

LARGEST CORRUGATED BOX EVER MADE

Container and interior partitions for the shipment of bullet-proof gasoline tanks from the manufacturer to aircraft assembly plants where they are installed in airplane wings.

WORKING CAPITAL. The following table presents a comparison of working capital for the last two years:

	December 31 1942	December 31 1941	Increase or Decrease (d)
CURRENT ASSETS:			
Cash in banks and on hand	$1,216,063	$1,249,665	$ 33,602 (d)
U. S. treasury notes and war bonds	285,870	—	285,870
Accounts and notes receivable from customers, less reserves	2,236,244	2,950,262	714,018 (d)
Notes receivable (secured by property sold)	125,000	125,000	—
Other receivables	19,367	33,618	14,251 (d)
Inventories	3,199,667	4,340,712	1,141,045 (d)
Total current assets	$7,082,211	$8,699,257	$1,617,046 (d)
CURRENT LIABILITIES:			
Accounts payable—trade creditors	$1,154,353	$1,321,396	$ 167,043 (d)
Accrued interest	—	2,896	2,896 (d)
Accrued salaries, wages and profit-sharing provision	505,436	613,617	108,181 (d)
Accrued taxes	437,440	456,957	19,517 (d)
Provision for Federal income and excess profits taxes	—*	360,070*	360,070 (d)
Sundry accruals	106,105	45,000	61,105
Total current liabilities	$2,203,334	$2,799,936	$ 596,602 (d)
Net working capital	$4,878,877	$5,899,321	$1,020,444 (d)
Current ratio	3.21 to 1	3.11 to 1	
*Provision for Federal income taxes	$6,878,426	$4,564,790	
Less: Treasury notes—tax series	6,878,426	4,204,720	
	—	$ 360,070	

Receivables, inventories and payables were all somewhat lower than a year ago because at that time several leased properties were in operation which were not in production at the end of 1942; similarly, in conformance with a War Production Board order, some of the other mill properties of your Company were limited as to their operating rates during the last two months of the year. Your Company purchased during the year $7,108,394 of U. S. Government Securities including $7,007,428 of tax series notes; the latter are useable in payment of Federal income and excess profits taxes and are more than sufficient to offset the accrual of this tax liability.

The reduction of working capital of $1,020,444 is more than accounted for by the prepayment of the entire unpaid balance of $2,900,000 of the bank term credit. This is the first time that your Company has been completely without long term obligations since its inception sixteen years ago.

An application of funds statement that sets forth the sources of funds and their disposition follows:

Funds provided from the following sources:			
Profit for year		$2,401,748	
Add expense items not requiring cash—			
Provision for depreciation	$1,384,323		
Provision for depletion	27,176		
	$1,411,499		
Less profit on capital assets retired	3,102	1,408,397	$3,810,145
Net decrease in working capital			1,020,444
Net decrease in other receivables and investments			232,530
Proceeds from sale of property			59,847
			$5,122,966
Which were expended or accounted for as follows:			
Dividends paid			$1,171,879
Payments on term bank loans			2,900,000
Post-war refund Federal excess profits taxes			361,000
Additions to plant and equipment			634,063
Net increase in deferred charges			56,024
			$5,122,966

The two major sources of incoming funds were the earnings of $2,401,748 and the return of capital through depreciation and depletion amounting to $1,411,499. Incoming funds were put to use primarily as follows:

1. The remaining funded debt of $2,900,000 was prepaid.

2. Dividends of $1.50 a share, or $1,171,879 were paid to stockholders.

3. Additions and improvements to land, buildings, machinery and equipment were made in the amount of $634,063.

4. In accordance with the provision of the Revenue Act of 1942, a post-war credit of $601,000 was created of which $361,000 is carried on the balance sheet as a non-current asset as it is not collectible within a twelve-month period and the remainder, $240,000, was applied as a current reduction of tax liability by reason of debt reduction subsequent to September 1, 1942.

After the employment of funds as above set out, there was a decrease in working capital of $1,020,444.

On pages 20 to 23 you will find a twelve-year comparison, balance sheet, summary of profit and loss, and a record of dividends and funded debt interest paid. Your attention is called particularly to the balance sheet improvement during this period, reflecting as it does the elimination of debt and all preferred stocks, the consolidation of the former outstanding A and B stocks into one capital stock, the increase in working capital, and the accumulation of a substantial earned surplus.

CAPITALIZATION. Once more no change occurred during the year in the 781,253 shares of outstanding capital stock. The number of shareholders has fluctuated very little, except that there has been a slight increase in the number of approximately 8200 shareholders. The largest individual holding represents 5% of the outstanding stock; more than 48% of the shares are held by owners of one to two hundred shares each.

SURPLUS. Earned surplus was credited with the year's net profit of $2,401,748. Dividend payments of $1,171,879 were charged against surplus. The net addition to surplus was $1,-229,869 and resulted in a final earned surplus at the year end of $6,037,881.

Vast quantities of food and ammunition are shipped in paperboard cases to fighting fronts all over the world. Photographs by courtesy of U. S. Navy.

One of the newest developments, adopted to conserve cargo space, is the packaging of dehydrated foods. Millions of five ounce cartons like those illustrated have been sent to England packed in shipping cases.

OPERATIONS

The following tabulation shows the number of tons of paperboard and pulp produced in the mills of your Company and also the number of tons of finished product shipped, with comparisons for previous years:

	Tons Produced in Mills	Tons Finished Product Shipped
1933	299,346	320,961
1934	300,424	312,830
1935	373,399	382,381
1936	428,627	441,086
1937	391,270	390,496
1938	346,616	361,820
1939	432,848	462,385
1940	461,815	504,507
1941	546,002	627,292
1942	508,423	575,856

A significant tonnage of paperboard was purchased from outside sources and was fabricated and shipped by your Company's box factories. For this reason the tons of finished product shipped again exceed the tons produced in your Company's mills.

The Company's pulp mill at Fernandina produced 62,987 tons of unbleached sulphate pulp of which tonnage your Company's paper mills consumed less than one-seventh. The excess production of the Fernandina mill was sold to other domestic and foreign pulp users, and a further substantial tonnage was shipped abroad on lend-lease orders.

Your Company presently is not producing any bleached or unbleached sulphite or ground wood pulp, and last year purchased its entire consumptive needs of 15,576 tons of these materials from other producers. You will note that the Company has a rather good hedge as far as pulp is concerned in that any purchase penalties inherent in periods of shortage of sulphites and ground wood are offset by the concomitant higher sales realizations of the Company's unbleached sulphate pulp produced in excess of its own consumptive needs. Inversely, in periods of over supply of pulp, your Company receives less per ton for its sales of unbleached sulphate but also pays less for its purchase of sulphites and ground wood. At all times it should be well protected in the matter of pulp supply without the need of carrying unduly large inventories.

As before noted, mills and box factories were very adequately maintained through the expenditure of $2,473,340 for repairs and maintenance.

Capital expenditures for the year were lower than in preceding years. As a matter of policy it was concluded early in the year to limit capital expenditures because costs of new equipment were high and deliveries very uncertain. Also, and increasingly more important as the year wore on, it became impossible to purchase many kinds and types of new equipment because of existing priorities and shortages.

Therefore, capital additions and improvements reflected purchases made toward the end of 1941 or in the early months of 1942, together with a large number of minor machinery items purchased and installed throughout the year.

With the substantial sum spent for repair and maintenance, and the limited but adequate amount disbursed for essential replacements, additions and improvements, the physi-

cal condition of your Company's properties is better than it has been at any time in the past.

In confirmation of the above statement, and also as a reflection of the greater pressure of wartime operating demands, many new records of production again were achieved in mills and factories. In spite of higher labor costs, mill conversion and factory fabricating costs were favorable. Quality standards were well maintained, and in many instances even improved. Customers' demands were exacting as to deliveries, but the standard of good service was upheld.

SALES

Consolidated net sales for 1942 were $49,533,239 or an increase of 6% over the previous year. Your Company lists over 6,000 active customers representing a very highly diversified list of fine accounts engaged in almost every conceivable type of manufacturing endeavor. The fact that there were no credit losses on $49,533,239 of business, attests to the high quality of the concerns to which your Company is privileged to sell its product. The largest individual customer on the Company's books represented less than 3% of total volume.

While your Company has developed new customer outlets and new and improved products for the market year after year, in 1942 a great and additional impetus was given to product development by new and more exacting war demands and substitution opportunities for paper to replace other scarcer, more critical, and in some cases entirely unobtainable materials. Consequently the Sales Research Department was deluged with new developments, and in collaboration with it, the Technical and Chemical Research, Art and Design, Laboratory and Testing, and New Machinery Building Departments, were extremely busy in the inventing, designing, perfecting and merchandising of all types of new products.

AFFILIATED AND SUBSIDIARY COMPANIES

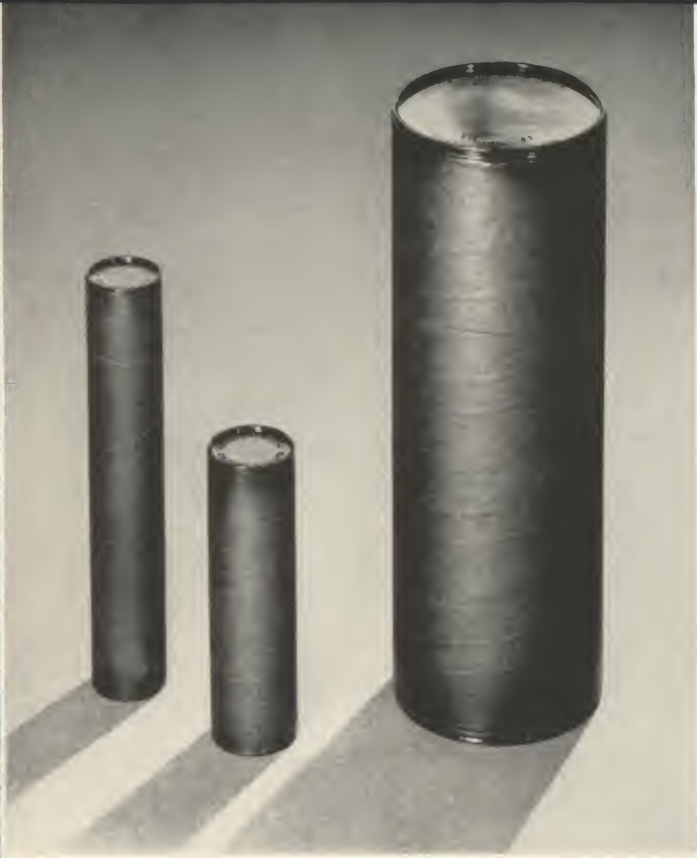
The Sefton Fibre Can Company of St. Louis, Missouri, earned a net profit of $53,999 in 1942. During the year it further reduced its outstanding preferred stock through retirement of $18,500 par value, paid a $5 a share dividend on the outstanding preferred stock; made new additions and improvements to its machinery and equipment account; and increased working capital by $10,154. Under a United States Government contract, and operating on a management fee basis, it managed for the Ordnance Department a sizeable plant in Tennessee. Here, paper tubes for shells are manufactured. It is pleasing to report that the actual cost of production of these tubes was materially lower than the original estimate submitted to the Government and upon the basis of which the contract was awarded.

Because Container Corporation does not own all of the outstanding capital stock of Sefton Fibre Can Company, neither the balance sheet nor profit and loss figures of the latter company are included in the consolidated data contained in this report.

The Pioneer Paper Stock Company, a wholly owned subsidiary, again had a profitable year, although earnings were lower than the preceding year because of unfavorable increased cost factors in both labor and materials. At about the middle of the year, the United States Government required the use of the largest building Pioneer occupied, in Philadelphia. Consequently machinery and operations had to be moved to a new, smaller and somewhat less desirable building in the same city.

WAR WORK

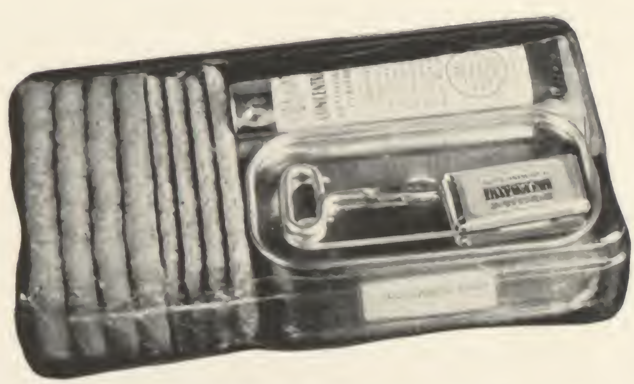
Between 40 and 50 per cent of the product of your Company is now used in connection



Container Corporation of America through its subsidiary, the Sefton Fibre Can Company, operates a plant exclusively for the production of these spirally wound, asphalt-impregnated containers, and is also the largest supplier of paperboard to other tube fabricators. Tubes protect shells against moisture and damage in tropic heat or arctic cold from the time they leave the loading plant until they are placed in the breech of a gun.

U. S. Army Field Ration "K" packed in folding cartons of kraft-lined board treated with a coating for protection against moisture and gas contamination. The DACCA process of applying thermoplastic coating, developed by Container Corporation of America and the Dewey and Almy Chemical Company was of value to the Quartermaster Corps in perfecting these new packages. The same method is used to pack U. S. Army Field Ration "D."

Illustration at lower right is a photo diagram showing typical contents of Ration K unit.



with the war effort. Throughout this report there appear illustrations of only a few of the hundreds of containers, cartons, packages and miscellaneous products which currently are being produced in connection with war. The present outlook indicates that the war program will require an even larger percentage of your Company's output from now on. It is apparent that our numerically expanding armed forces will need an ever-increasing amount of food, clothing, munitions, weapons and implements of war, medical supplies, and many other products. All of these must be carefully packaged in their journey to domestic camps or foreign battlefields. Products for war are useless if they do not arrive safely and undamaged at the many points of usage. The paper container made from non-critical materials, waste paper and pulp, fulfills the need economically, promptly, and in large quantities.

Under the stress and strain of war conditions, new methods, developments, products, conversions and substitutions are always necessitated. In a postwar era, not only many products which have been developed in war time but also the scientific and technical knowledge acquired will prove invaluable.

PAPERBOARD AND CONTAINER INDUSTRY CONDITIONS

The shift from peacetime to wartime conditions has been largely accomplished in these industries. Many civilian outlets for the product of these industries have been diminished, curtailed, and in some cases stopped for the duration. The more exacting wartime requirements for specialized uses are teaching new techniques and forcing developments of engineering, mechanical, and chemical skill. When peace times return the paperboard and container industries will no doubt benefit in the postwar world by many of the lessons taught in these difficult days. The immediate outlook seems to point to a continuance of a high volume activity.

EMPLOYEE RELATIONS

At present the number of men and women employed in the mills and factories of your Company approximates 5600. The proportion of women employed has gone up sharply in recent months so that at the end of the year there were about 27% of women. The Company is continuing the policy of training more and more women for jobs previously handled by men, and it is commendable how well these girls are discharging their assignments. From the frontispiece you may have noticed that at the year end there were 996 employees who had joined the armed forces. Through the medium of personal letters, house organs and factory monthly magazines, it has been possible to keep in touch with a great number of them. Cigarettes and other remembrances have been sent to them regularly, and some very interesting, though carefully censored, letters have been received from ex-Container men stationed all over the world.

The safety record has improved a good deal in spite of the fact that many employees are new and not seasoned in their respective jobs.

The Company has in effect throughout all of its factories and offices a bond purchase program in accordance with which regular deductions are being made from pay checks for the purchase of Government bonds. Special bond buying drives have been instituted, and continually more employees are subscribing for a larger number of bonds.

Vacation plans have been liberalized for hourly workers, and everyone of these who has been a member of the organization for 12 months or more receives a vacation with pay.

Large plastic plane noses and turrets for our bombers and fighters are shipped from the molding plants to the plane assembly factories in corrugated containers. These large units need special inner packing to protect them against scratching or damage in transit. Just as important is the protection of hundreds of other airplane parts also packed in paperboard containers.

An advertisement published in TIME and FORTUNE

INSURANCE. The Company continues to make available for all employees a group life, accident and sickness, surgical care and hospitalization insurance.

RETIREMENT ANNUITY PLAN. A large majority of all eligible employees participate in the Retirement Annuity Plan. In 1942 the employees as a group and the Company each provided $166,293; contributions by and on account of executive officers amounted to 6.4%, while 93.6% was contributed by and on account of all other employees. The Company's 1942 payment on account of past service annuities was $111,862; in accordance with a provision of the Retirement Annuity Plan, these annuities become payable only upon retirement. Such past service annuities as were purchased by the Equitable Life Assurance Society during the year were for the benefit of those older employees who will first approach retirement age, and 91.8% applied to employees in general while 8.2% was in respect to executive officers.

MANAGEMENT PROFIT SHARING PLAN. Under this plan, approved by the stockholders in their annual meeting of 1940, a large amount would have been payable; however, the nonparticipating directors charged with the final determination of the profit sharing fund decided that under the unusual conditions prevailing today the amount for the year of 1942 be limited to $267,750, compared with a distribution of $300,000 for the previous year. The nonparticipating directors allocated this fund for 1942 as follows: 18.7% to the president, 44.8% to the four vice-presidents, and 36.5% to other employees including the treasurer, secretary and their immediate assistants.

ORGANIZATION

As of July 1, 1942, Mr. J. V. Spachner, a vice-president and director of the Company and president of the subsidiary, Pioneer Paper Stock Company, was transferred to the main office from the offices of the subsidiary where he had been in charge of purchasing, traffic, and operations of the Company's pulp mill and the subsidiary's paper stock business. His new duties are the supervision of the Western Container Division of the parent company and the continued direction of the operations and sales of the Fernandina pulp mill, relinquishing his other former responsibilities. He was succeeded as president of the subsidiary by Mr. Arthur U. Claghorn, who had been vice-president of the Pioneer Paper Stock for many years. Messrs. E. I. Orr and Arthur Furth were made vice-presidents of the subsidiary, and Mr. Harry C. Pearson, secretary. Mr. W. D. Jackson is now general purchasing agent, and Mr. Gail Gordon is in full charge of the traffic department of the parent Company.

Dr. Robert A. Diehm joined the Company on July 1st as technical director to head a newly created department which has supervision of all chemical matters and in particular fundamental research.

Your Board of Directors again extends its thanks and appreciation to all members of the organization whose combined effort made possible the substantial progress shown by this report.

Submitted on behalf of the Board of Directors.

Respectfully,

Walter P. Paepcke

President

CONTAINER CORPORATION OF AMERICA AND

CONSOLIDATED YEAR-END BALANCE SHEETS FOR TWELVE YEAR

ASSETS

	1942	1941	1940	1939	1938
Cash in banks and on hand	$ 1,216,063	$ 1,249,665	$ 2,456,532	$ 1,044,918	$ 1,031,969
U. S. treasury notes and war bonds	285,870	—	—	—	—
Accounts and notes receivable—less reserves	2,380,611	3,108,880	1,969,006	1,903,452	1,474,683
Inventories	3,199,667	4,340,712	3,410,931	3,644,189	2,859,950
Total current assets	$ 7,082,211	$ 8,699,257	$ 7,836,469	$ 6,592,559	$ 5,366,602
Post-war excess profits tax refund	361,000	—	—	—	—
Other receivables and investments	135,134	367,664	802,253	1,561,736	1,487,517
Treasury stock at cost	—	—	—	—	—
Land	3,583,906	3,599,118	3,485,447	3,463,005	3,450,285
Buildings, machinery and equipment	26,361,566	25,864,025	25,096,655	24,051,950	23,452,635
Reserve for depreciation	***13,269,224***	***11,952,714***	***10,992,835***	***9,897,678***	***8,922,908***
Deferred charges	283,175	227,151	187,062	338,039	387,994
Good will and patents	1	1	1	1	1
	$24,537,769	$26,804,502	$26,415,052	$26,109,612	$25,222,126

LIABILITIES

	1942	1941	1940	1939	1938
Accounts payable	$ 1,154,353	$ 1,321,396	$ 345,977	$ 820,005	$ 446,525
Accrued salaries, wages, taxes, interest, etc.	1,048,981	1,118,470	832,830	516,978	392,440
Reserve for Federal income taxes	—*	360,070*	1,186,977	296,000	34,200
Sinking fund payments due within a year	—	—	—	250,000	128,000
Total current liabilities	$ 2,203,334	$ 2,799,936	$ 2,365,784	$ 1,882,983	$ 1,001,165
Funded debt	—	2,900,000	4,100,000	5,126,000	5,945,500
Provision for prior years Federal income taxes in dispute	—	—	—	—	500,000
Reserve for contingencies	—	—	—	—	—
Capital stock	15,625,060	15,625,060	15,625,060	15,625,060	15,625,060
7% Preferred stock	—	—	—	—	—
Class A common stock	—	—	—	—	—
Class B common stock	—	—	—	—	—
Capital surplus	671,494	671,494	671,494	671,494	671,494
Earned surplus	6,037,881	4,808,012	3,652,714	2,804,075	1,478,907
	$24,537,769	$26,804,502	$26,415,052	$26,109,612	$25,222,126
Working capital	$ 4,878,877	$ 5,899,321	$ 5,470,685	$ 4,709,576	$ 4,365,437
Current ratio	3.21 to 1	3.11 to 1	3.31 to 1	3.50 to 1	5.36 to 1

Note—Italics denote red figures.

	1942	1941
*Provision for Federal income and excess profit taxes	$6,878,426	$4,564,790
Less Treasury notes—tax series	6,878,426	4,204,720
	—	$ 360,070

SUBSIDIARY COMPANIES

PERIOD ENDED DECEMBER 31, 1942

1937	1936	1935	1934	1933	1932	1931
$ 1,650,344	$ 1,147,362	$ 1,131,576	$ 820,912	$ 439,616	$ 1,027,685	$ 876,050
—	—	—	—	—	—	—
1,133,116	1,625,631	1,155,580	1,146,099	1,161,913	804,972	932,857
3,143,426	2,900,739	2,896,060	2,489,422	2,622,308	1,257,032	1,832,466
$ 5,926,886	$ 5,673,732	$ 5,183,216	$ 4,456,433	$ 4,223,837	$ 3,089,689	$ 3,641,373
—	—	—	—	—	—	—
1,848,555	149,754	90,563	136,840	195,079	40,475	92,844
—	—	—	93,750	93,750	93,750	33,750
3,192,264	3,237,069	3,237,069	3,219,640	3,219,640	3,251,857	3,321,932
22,720,891	21,872,009	21,143,364	20,172,812	18,795,010	19,734,390	20,059,310
7,763,149	***7,738,397***	***6,760,214***	***5,789,049***	***5,084,545***	***4,949,959***	***4,205,822***
385,583	438,647	433,644	487,155	622,916	591,908	715,645
1	1	1	1	1	1	1
$26,311,031	$23,632,815	$23,327,643	$22,777,582	$22,065,688	$21,852,111	$23,659,033

$ 363,451	$ 1,305,003	$ 758,558	$ 988,356	$ 985,431	$ 340,754	$ 300,907
434,276	415,636	329,066	304,602	327,794	279,899	391,994
528,000	255,000	217,500	195,000	—	—	—
115,000	154,000	250,000	201,500	14,000	14,000	20,500
$ 1,440,727	$ 2,129,639	$ 1,555,124	$ 1,689,458	$ 1,327,225	$ 634,653	$ 713,401
6,472,000	6,980,500	7,736,360	7,783,500	8,239,000	8,666,000	8,949,125
—	—	—	—	—	—	—
449,114	434,114	417,614	81,622	86,122	86,122	101,622
15,625,060	13,070,800	13,070,800	—	—	—	—
—	—	—	1,206,600	1,575,300	1,832,200	2,035,900
—	—	—	7,471,100	7,471,100	7,471,100	7,471,100
—	—	—	2,890,945	2,890,945	2,890,945	2,890,945
383,139	—	—	1,922,499	1,658,285	1,460,811	1,460,811
1,940,991	1,017,762	547,745	***268,142***	***1,182,289***	***1,189,720***	36,129
$26,311,031	$23,632,815	$23,327,643	$22,777,582	$22,065,688	$21,852,111	$23,659,033
$ 4,486,159	$ 3,544,093	$ 3,628,092	$ 2,766,975	$ 2,896,612	$ 2,455,036	$ 2,927,972
4.11 to 1	2.66 to 1	3.33 to 1	2.64 to 1	3.18 to 1	4.87 to 1	5.10 to 1

CONTAINER CORPORATION OF AMERICA AND

CONSOLIDATED PROFIT AND LOSS STATEMENTS FOR TWELVE

	1942	1941	1940	1939	1938
Net sales	$49,533,239	$46,714,221	$30,464,677	$24,114,815	$18,705,290
Cost of sales (exclusive of depreciation)	36,668,926	35,548,267	23,339,894	19,172,531	15,295,294
Gross profit (exclusive of depreciation)	$12,864,313	$11,165,954	$ 7,124,783	$ 4,942,284	$ 3,409,996
Provision for depreciation	1,411,499	1,307,975	1,241,246	1,180,417	1,261,111
Gross profit from operations	$11,452,814	$ 9,857,979	$ 5,883,537	$ 3,761,867	$ 2,148,885
Selling, administrative and general expenses (exclusive of bad debts)	3,016,086	2,953,587	2,361,345	1,690,557	1,748,504
Net profit from operations (exclusive of bad debts)	$ 8,436,728	$ 6,904,392	$ 3,522,192	$ 2,071,310	$ 400,381
Other income and *charges*—net	181,652	*69,679*	113,030	36,237	75,930
Net profit before interest and Federal income taxes	$ 8,618,380	$ 6,834,713	$ 3,635,222	$ 2,107,547	$ 476,311
Interest charges, etc.	36,632	92,536	220,540	365,604	412,641
Net profit before Federal income taxes	$ 8,581,748	$ 6,742,177	$ 3,414,682	$ 1,741,943	$ 63,670
Provision for Federal income taxes	6,180,000	4,415,000	1,187,000	293,043	34,200
Net profit carried to earned surplus	$ 2,401,748	$ 2,327,177	$ 2,227,682	$ 1,448,900	$ 29,470

Note—Italics denote red figures.

RECORD OF DIVIDENDS AND INTEREST ON FUNDED

DEBT PAID FOR TWELVE YEAR PERIOD JANUARY 1, 1931

Dividends paid:					
Preferred stocks	—	—	—	—	—
Common stocks	$ 1,171,879	$ 1,171,879	$ 1,171,879	$ 195,313	$ 234,376
Total dividends	$ 1,171,879	$ 1,171,879	$ 1,171,879	$ 195,313	$ 234,376
*Interest on funded debt paid	$ 37,031	$ 91,234	$ 207,677	$ 310,900	$ 346,005
Total dividends and interest	$ 1,208,910	$ 1,263,113	$ 1,379,556	$ 506,213	$ 580,381

*On basis of cash payments made. This differs slightly from accrual basis used on profit and loss statement.

SUBSIDIARY COMPANIES

YEAR PERIOD ENDED DECEMBER 31, 1942

1937	1936	1935	1934	1933	1932	1931	Total
$25,268,327	$22,525,268	$20,181,777	$18,316,508	$15,419,759	$11,457,966	$15,742,264	$298,444,111
19,201,297	17,466,001	15,356,939	14,136,407	12,819,457	10,292,552	13,606,085	232,903,650
$ 6,067,030	$ 5,059,267	$ 4,824,838	$ 4,180,101	$ 2,600,302	$ 1,165,414	$ 2,136,179	$ 65,540,461
1,216,800	1,172,734	1,152,590	984,162	791,007	806,467	830,168	13,356,176
$ 4,850,230	$ 3,886,533	$ 3,672,248	$ 3,195,939	$ 1,809,295	$ 358,947	$ 1,306,011	$ 52,184,285
2,027,711	1,791,599	1,575,614	1,375,624	1,096,807	1,188,528	1,551,114	22,377,076
$ 2,822,519	$ 2,094,934	$ 2,096,634	$ 1,820,315	$ 712,488	$ *829,581*	$ *245,103*	$ 29,807,209
71,770	*89,054*	*143,609*	*21,278*	*55,468*	*14,897*	139,176	80,270
$ 2,750,749	$ 2,005,880	$ 1,953,025	$ 1,799,037	$ 657,020	$ *844,478*	$ *105,927*	$ 29,887,479
438,644	463,938	497,516	491,326	516,099	535,885	580,886	4,652,247
$ 2,312,105	$ 1,541,942	$ 1,455,509	$ 1,307,711	$ 140,921	$ *1,380,363*	$ *686,813*	$ 25,235,232
528,000	255,000	217,500	195,000	—	—	—	13,304,743
$ 1,784,105	$ 1,286,942	$ 1,238,009	$ 1,112,711	$ 140,921	$ *1,380,363*	$ *686,813*	$ 11,930,489

TO DECEMBER 31, 1942

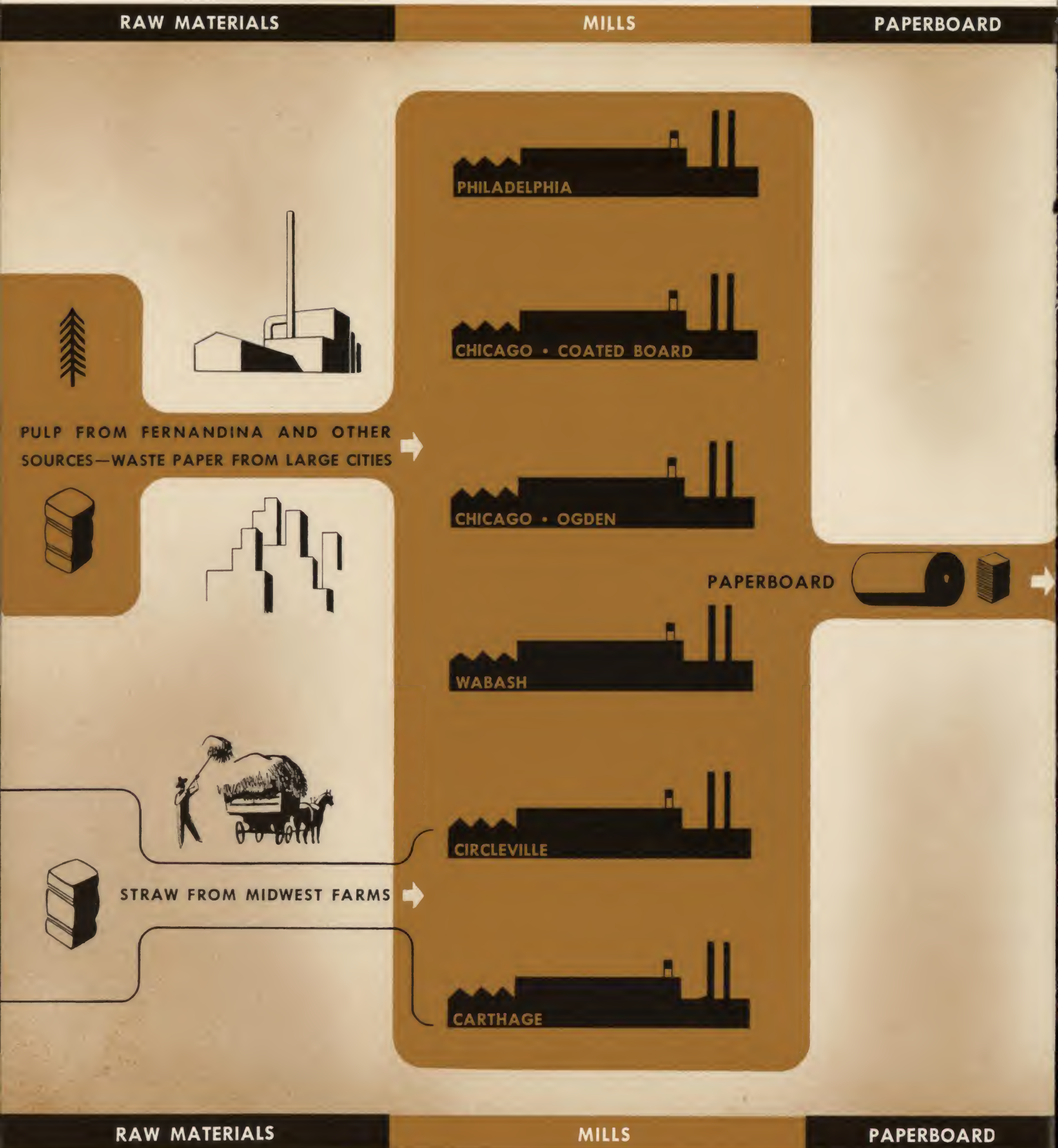
—	—	$ 422,310	$ —	$ —	$ —	$ 37,100	$ 459,410
$ 860,876	$ 816,925	—	—	—	—	114,403	5,737,530
$ 860,876	$ 816,925	$ 422,310	$ —	$ —	$ —	$ 151,503	$ 6,196,940
$ 374,340	$ 422,459	$ 438,871	$ 438,170	$ 458,685	$ 478,270	$ 509,901	$ 4,113,543
$ 1,235,216	$ 1,239,384	$ 861,181	$ 438,170	$ 458,685	$ 478,270	$ 661,404	$ 10,310,483

FIVE-YEAR COMPARISONS 1938-1942

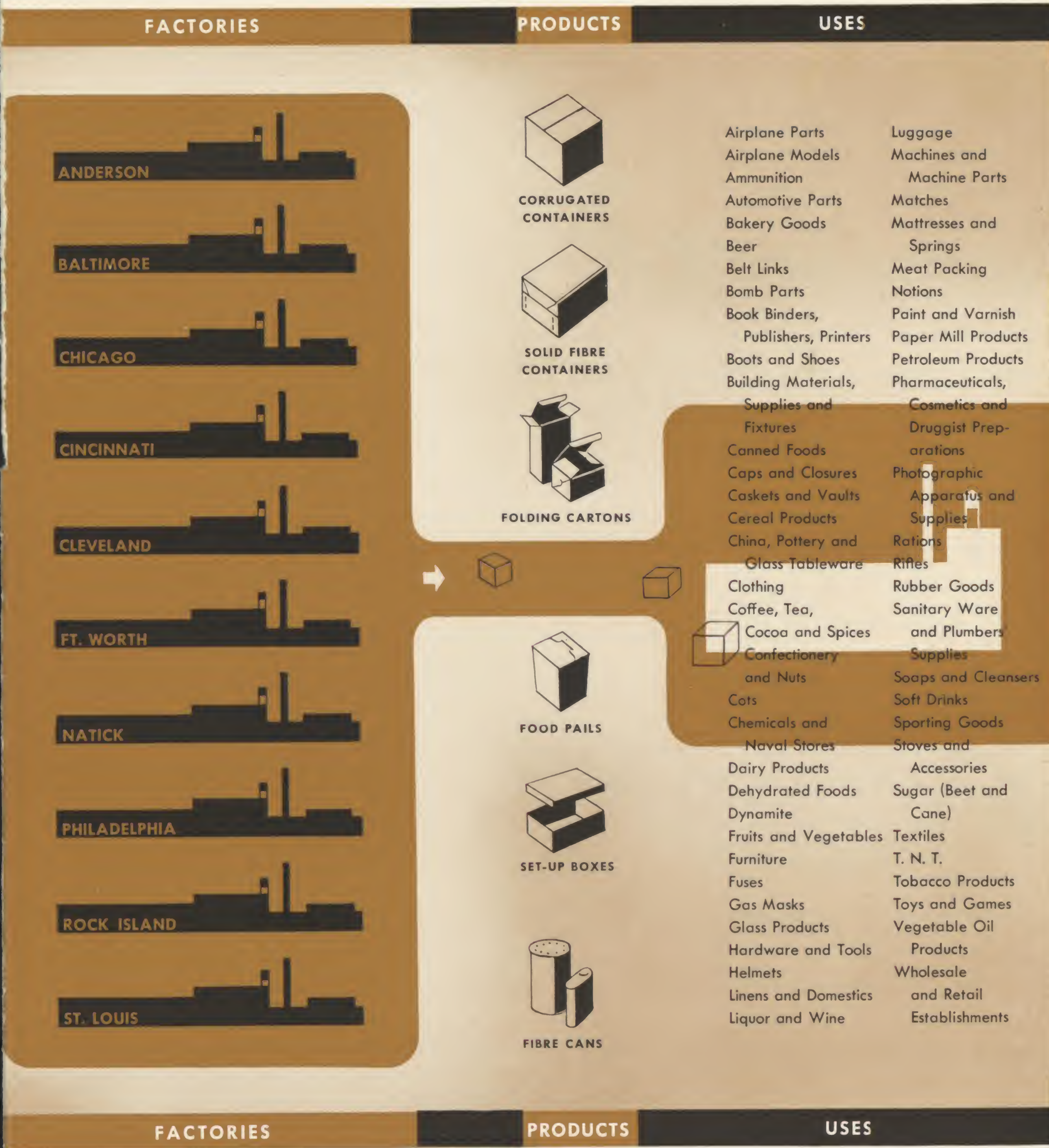
	1938	1939	1940	1941	1942
NUMBER OF EMPLOYEES (AT 12/31)	3,400	3,827	4,419	6,295	5,627
TONS SHIPPED	361,820	462,385	504,507	627,292	575,856
NET PROFIT	$29,470	$1,448,900	$2,227,682	$2,327,177	$2,401,748
DIVIDENDS AND INTEREST PAID	$580,381	$506,213	$1,379,556	$1,263,113	$1,208,910
TAXES	$472,977	$784,372	$1,775,287	$5,210,021	$6,953,984
PER CENT OF PROFIT ON INVESTED CAPITAL	.16%	7.86%	11.41%	11.34%	11.06%
INVESTED CAPITAL PER EMPLOYEE	$ 5,254	$ 4,818	$ 4,418	$ 3,261	$ 3,860
INCREASE IN SURPLUS	$462,084	$1,325,168	$848,639	$1,155,298	$1,229,869

As metal conservation measures are rigorously applied, new markets for folding cartons are appearing. The three retail packages are among the first from our plants. The drum, made of folding carton boxboard, holds 30 pounds of frozen eggs and replaces a tin container formerly used.

Lumber, too, has become a critical material so that many paperboard shipping cases now replace it. This tomato carrier saves both metal and lumber.



SOURCES AND FLOW OF PRIMARY MATERIALS THROUGH MILLS



AND FACTORIES OF CONTAINER CORPORATION OF AMERICA

CONTAINER CORPORATION OF AMERICA

CONSOLIDATED BALANCE SHEET

ASSETS

Current Assets			
Cash in banks and on hand			$ 1,216,062.95
United States treasury notes and war bonds, at cost			285,869.67
Accounts and notes receivable from customers		$ 2,386,251.88	
Less—Reserve for doubtful receivables		150,007.60	2,236,244.28
Other notes and accounts receivable			144,366.52
Inventories of finished goods, work in process, raw materials and supplies—priced at the lower of cost or market			3,199,667.42
Total current assets			$ 7,082,210.84
Other Receivables and Investments:			
Postwar refund of Federal excess profits tax		$ 361,000.00	
Other receivables and investments, at cost		135,134.08	496,134.08
Plant and Equipment—stated at amounts (based in part on appraisals) recorded at dates of acquisition of properties (including properties acquired for capital stock), plus additions since at cost, less reserves for depreciation:			
Land		$ 3,583,906.07	
Buildings	$ 7,369,262.00		
Machinery, equipment, etc.	14,605,311.45		
Leasehold and leasehold improvements	4,386,992.66		
	$26,361,566.11		
Less—Reserves for depreciation	13,269,224.41	13,092,341.70	16,676,247.77
Deferred Charges:			
Prepaid insurance		$ 230,607.89	
Other prepaid expenses, etc.		52,567.14	283,175.03
Goodwill and Patents—at nominal value			1.00
			$24,537,768.72

AND SUBSIDIARY COMPANIES

—DECEMBER 31, 1942

LIABILITIES

Current Liabilities:		
Accounts payable		$ 1,154,352.96
Accrued liabilities—		
Salaries, wages and profit sharing provision	$ 505,435.70	
Taxes, other than Federal income taxes	437,439.74	
Other	106,105.48	1,048,980.92
Provision for Federal income taxes	$ 6,878,426.02	
Less—U. S. Treasury notes—tax series to be applied in payment thereof	6,878,426.02	—
Total current liabilities		$ 2,203,333.88
Capital Stock and Surplus:		
Capital stock—		
Authorized 1,000,000 shares of $20 par value each		
Outstanding 781,253 shares	$15,625,060.00	
Paid-in surplus (no change during year)	671,494.30	
Earned surplus (see accompanying summary)	6,037,880.54	22,334,434.84
		$24,537,768.72

CONTAINER CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES

SUMMARIES OF CONSOLIDATED PROFIT AND LOSS AND EARNED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1942

CONSOLIDATED PROFIT AND LOSS

Net Sales		$49,533,238.72
Cost of Sales (exclusive of depreciation)	$36,668,926.06	
Provision for Depreciation (including $27,176.17 of depletion)	1,411,499.18	38,080,425.24
Gross profit from operations		$11,452,813.48
Selling, Administrative and General Expenses		3,016,085.91
Net profit from operations		$ 8,436,727.57
Add:		
Purchase discounts, interest earned, etc.	$ 181,652.29	
Less—Interest on term bank loans, etc.	36,631.70	145,020.59
Net profit before Federal income taxes		$ 8,581,748.16
Provision for Federal Income Taxes:		
Normal taxes	$ 733,000.00	
Excess profits taxes (less $601,000 postwar refund of which $240,000 represents an immediate credit as a result of debt reduction)	5,447,000.00	6,180,000.00
Net profit for year		$ 2,401,748.16

EARNED SURPLUS

Balance December 31, 1941	$ 4,808,011.88
Add—Net profit for year, as above	2,401,748.16
	$ 7,209,760.04
Deduct—Cash dividends paid ($1.50 per share)	1,171,879.50
Balance December 31, 1942	$ 6,037,880.54

ARTHUR ANDERSEN & CO.

120 SOUTH LA SALLE STREET
CHICAGO

To the Stockholders of

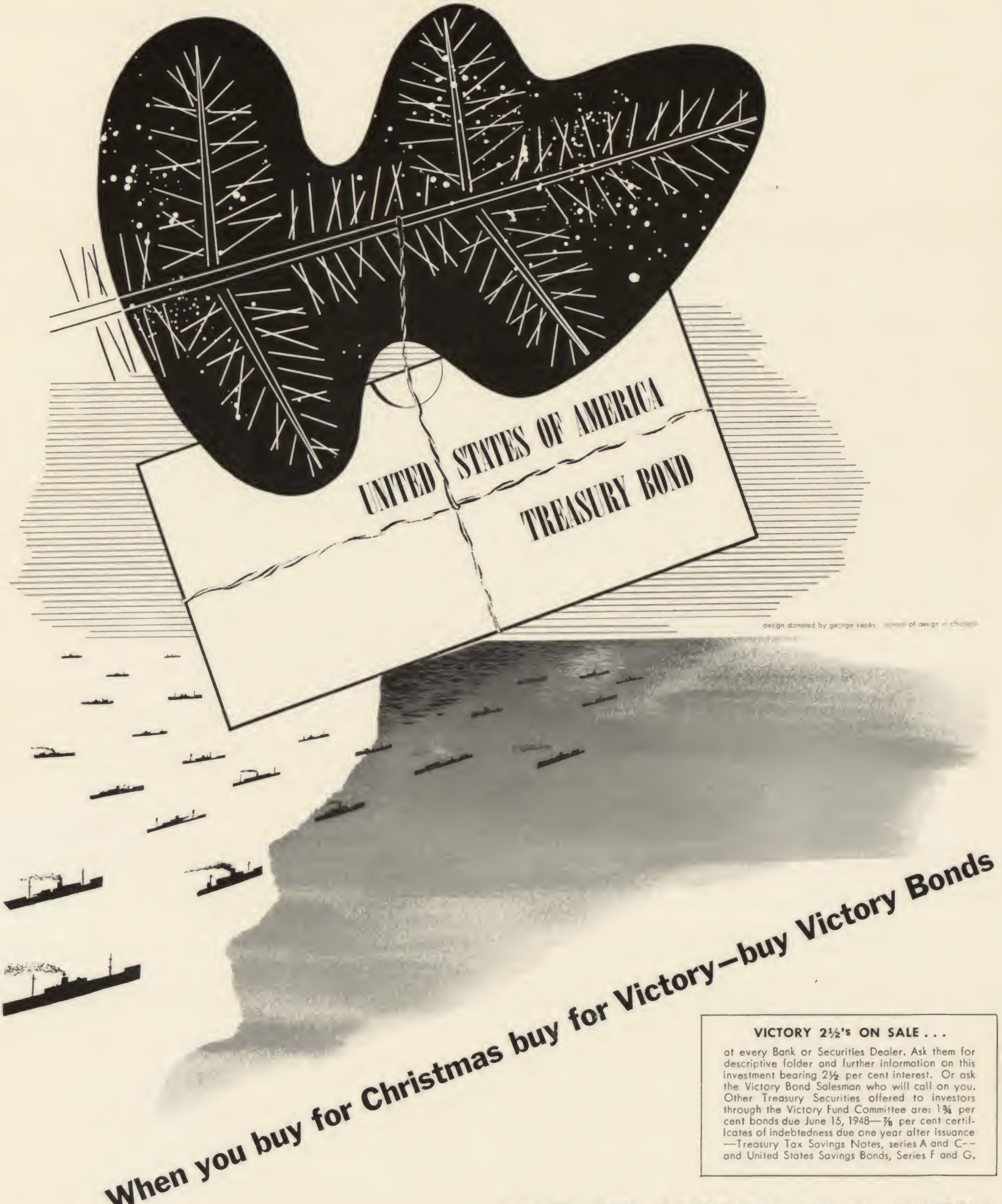
Container Corporation of America:

We have examined the consolidated balance sheet of CONTAINER CORPORATION OF AMERICA and subsidiaries as of December 31, 1942, and the summaries of consolidated profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and related summaries of consolidated profit and loss and surplus present fairly the position of the companies at December 31, 1942, and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Chicago, Illinois,
February 6, 1943.

Arthur Andersen & Co.


UNITED STATES OF AMERICA
TREASURY BOND
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When you buy for Christmas buy for Victory—buy Victory Bonds

In response to a request from the United States Treasury Victory Fund Committee, 7th Federal Reserve District, the design on the preceding page was reproduced as a full page and as a three-quarter page advertisement in 15 newspapers of the Middlewest and Southwest where the Company has plants.

From a symbolic Christmas tree branch hangs a bond which has helped to pay for the convoy en route to the Allied battlefronts with food and military equipment.

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